die, these investments are extremely speculative. There is no guarantee when a person will die, and, with the constant advancements in modern medicine, a terminally-ill person could live longer than anticipated. The longer the individual lives, the less the policy is worth to the investor. While the opportunity seems like an extremely sound investment, choosing to invest in viaticals can be a very risky decision, even when done legitimately.

5. Ponzi Schemes

Named for the scam artist Charles Ponzi, who swindled his investors out of millions of dollars in a matter of days, *Ponzi schemes* operate under the notion of "robbing Peter to pay Paul." A Ponzi scheme touts an investment opportunity with the promises of high returns and then, in order to make it appear legitimate, pays back its earlier investors with the money from later investors. Although the original scam – run by Ponzi himself – dates back to the 1920s, its tactics are still widely used today. Always in style, these swindles promise high returns to investors, but the only people who consistently make money are the promoters who set them in motion.

Schemes Aimed at Seniors

The Honorable Todd Rokita
Indiana Secretary of State

Indiana Secretary of State
Securities Division

James A. Joven
Securities Commissioner

Stephanie L. Beck
Investor Education Coordinator

To request additional copies of this or other materials, please contact

Indiana Secretary of State
Securities Division
Attn: Stephanie Beck
302 W. Washington Street
Room E-111
Indianapolis, IN 46204
317.232.0734
sbeck@sos.state.in.us
Toll-free 1-800-223-8791

Indiana Secretary of State
Todd Rokita

Fraud Aimed at Older Americans

www.sos.IN.gov

Common Types of Fraud Aimed at Older Americans

Senior Fraud

1. Unregistered Securities

Securities regulators, both at the national and state levels, exist to regulate the securities industry and bring to justice people who break the applicable laws. Unfortunately, entirely too many people do not realize the value of their securities regulators until *after* they have become a victim of fraud. Con artists often promise high returns on investments opportunities that they cannot truly guarantee. These swindlers prey on victims with high-pressure tactics – not giving the victims enough time to check out the investment first. Con artists also prey on victims who many not know that they can call securities regulators for assistance. It is important to remember that all investment opportunities must either be registered or exempt from registration. A quick call to Indiana Secretary of State Todd Rokita's office at **1-800-223-8791** can help investors take the appropriate steps to make sure the opportunity and the person selling it are legitimate.

2. Promissory Notes

While promissory notes *can* be a legitimate form of investment, often they are touted by con artists who convince unsuspecting investors to turn over their money. One of the largest problems with promissory note fraud is that many people do not realize the high risk typically associates with promissory notes. Promissory notes often offer the potential for very high returns, but high returns always means higher risk. Most legitimate forms of promissory notes are actually sold to what are known as "sophisticated investors" – those who have the means to thoroughly research the opportunity and who can afford to invest (and potentially lose) a large sum of money. Corporate investors often fall into this category. The average senior citizen, on the other hand, does not. Promissory notes are a pressing issue, and more extensive information is available through the Secretary Rokita's office.

3. Charitable Gift Annuities

Plainly defined, an *annuity* is a contract for a payment of a specified amount of money payable over a period of time. In these simple terms, the concept of an annuity is not much different than a car loan or a mortgage payment. When considered in terms of investing, annuities are often linked to retired individuals. Annuities are an attractive investment generally offered through an insurance company. An individual will give the company a specific amount of money that is to be paid back to the investor over a period of time. In addition to the principal amount of money, the investor will be paid interest for allowing the company offering the annuity to use his/her money. An individual choosing to invest in annuities essentially gives a loan to a company and then collects interest as the money is returned. These investments are generally attractive because they are usually touted with some form of protection, and they pay a fixed amount over the long term. For a retired person, this could be appealing because it promises a steady, "insured" income. It is important to realize, however, that no investment is truly "insured." An insurance company will claim some form of protection when investing in annuities; however, unforeseen circumstances could cause loss of money to the investors (e.g. the company goes out of business). There are several kinds of annuities, and these are addressed more specifically in annuity-focused literature. When discussing fraud aimed at seniors, the term *charitable gift annuity* is a familiar buzzword. A charitable gift annuity works much like a regular fixed annuity except the charity, rather than an insurance company, offers the annuity and benefits from the investment. While most annuities offered by charitable organizations are legitimate investments, investors should be cautious of little-known organizations or those that provide only minimal information.

4. Viatical settlements

Originating as a way to help the gravely ill pay their bills, these interests in the insurance death benefits of terminally ill patients are always risky and sometimes fraudulent. The insured gets a percentage of the death benefit in cash, and the investors get a share of the death benefit when the insured dies. Because of uncertainties in predicting when someone will

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